

TEXAS DEPARTMENT OF HUMAN SERVICES

**QUALITY CONTROL ERROR REDUCTION
PROGRESS REPORT**

DECEMBER 1, 1999

Quality Control Error Reduction Progress Report
December 1, 1999

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BACKGROUND

Pursuant to Tex. Hum. Res. Code Ann. §§ 22.025 and 22.026 (House Bill 1), and the General Appropriations Act, 76th Leg., R.S., (Department of Human Services, Reduction of Error Rates, Rider 17, at II-60); the Texas Department of Human Services submits quarterly quality control error rate reduction reports to the Governor's Office, Legislative Budget Board, and any appropriate interagency task force having oversight responsibility for welfare fraud issues. The quarterly error reduction reports are submitted by the first working day in each of the following months: September, December, March and June. The first quarterly report was submitted on September 1, 1995.

Appendix I describe the quality control sampling protocols.

FEDERAL QUALITY CONTROL (QC) TOLERANCE LEVELS

Federal QC tolerance levels are based on the national average payment error rate (PER) for the federal fiscal year (FFY). Tolerance levels are used to assess regional and state performance. The current federal tolerance levels are:

- 10.69% for Food Stamps (FFY 1998)
- 6.11% for AFDC (FFY 1994)

Appendix II describes the regulatory requirements for establishing Federal AFDC and Food Stamp QC tolerance levels and fiscal sanction liabilities.

ERROR REDUCTION STATUS

Table 1 summarizes Texas' payment error rates for FFY 1994 - 1999 year-to-date (YTD) for both AFDC/TANF and Food Stamps. Data marked with an asterisk (*) are state findings. AFDC findings for FFY 1995 and 1996 and Food Stamp findings for FFY 1999 are subject to revision by the federal re-review validation process. TANF findings for FFY 1997 and 1998 are not subject to the federal re-review validation process. Both programs had significant improvement in payment accuracy during the period of FFY 1994 - 1998:

- 34% decrease in Texas' AFDC/TANF payment error rate
- 58% decrease in Texas' Food Stamp payment error rate

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Food Stamp Program: FFY 1997 through 1999 YTD (October 1998 – June 1999)

Texas is the third largest Food Stamp issuance state in the nation. In FFY 1998, Texas issued over \$1.4 billion in Food Stamp benefits. **Table 2** shows that Texas had the best payment error rate among the “Big Eight” States (Texas, Ohio, Pennsylvania, California, New York, Florida, Illinois, and Michigan) in FFY 1998 – the fourth consecutive year Texas was the best performing large issuance state. **Table 3** shows Texas’ statewide and regional performance for FFY 1999 YTD. Based on preliminary findings, the state PER is lower in FFY 1999 YTD than in FFY 1998; all DHS regions have lower error rates for FFY 1999 YTD than the last published national average of 10.69% for FFY 1998.

FEDERAL QC ENHANCED FUNDING LEVELS

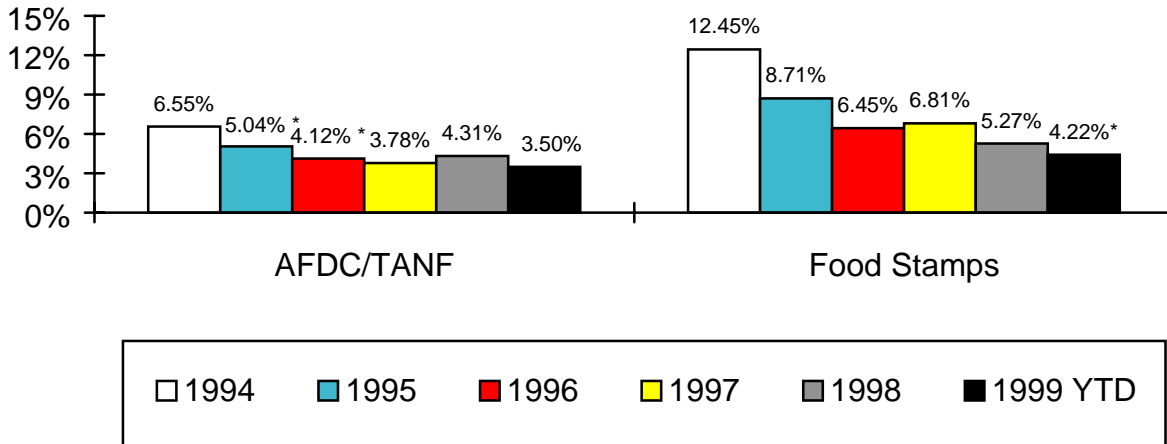
Based on a 5.27% payment error rate, Texas qualified for enhanced federal funding and received over \$19.7 million for its superior payment accuracy performance in the Food Stamp program in FFY 1998. This is the first time a large issuance state qualified for enhanced funding. Only six states qualified for a total of \$27.4 million in enhanced funding in FFY 1998.

Temporary Assistance to Needy Families (TANF): FFY 1999 YTD (October 1998 – June 1999)

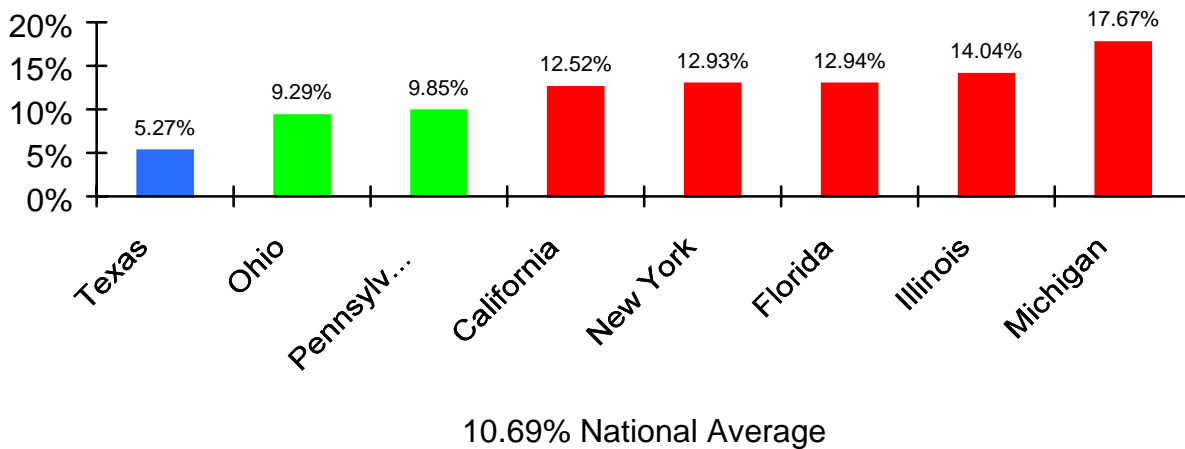
TANF, formerly known as the AFDC program, is funded via a block grant to the states by Public Law 104-193. In the TANF program, the federal requirement to calculate a payment error rate was eliminated; however, the federal legislation established state data reporting requirements, including the reporting of case characteristics and reasons for case closure. The Administration for Children and Families (ACF) division of the Department of Health and Human Services (DHHS) no longer publishes state or national payment error rate information. Texas is continuing to monitor payment accuracy for TANF as part of DHS’ commitment to overall program integrity. **Table 4** shows Texas’ statewide and regional performance for FFY 1999 YTD (October 1998 – June 1999).

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**Table 1. FFY 94-99 YTD (October 1998 - June 1999) AFDC/TANF
and Food Stamp QC Findings: Texas**



**Table 2. FFY 1998 Big Eight States Food Stamp QC Findings
Regressed Findings**



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Table 3. FFY 1999 YTD (October 1998 - June 1999)
Preliminary State Food Stamp QC Findings by Region

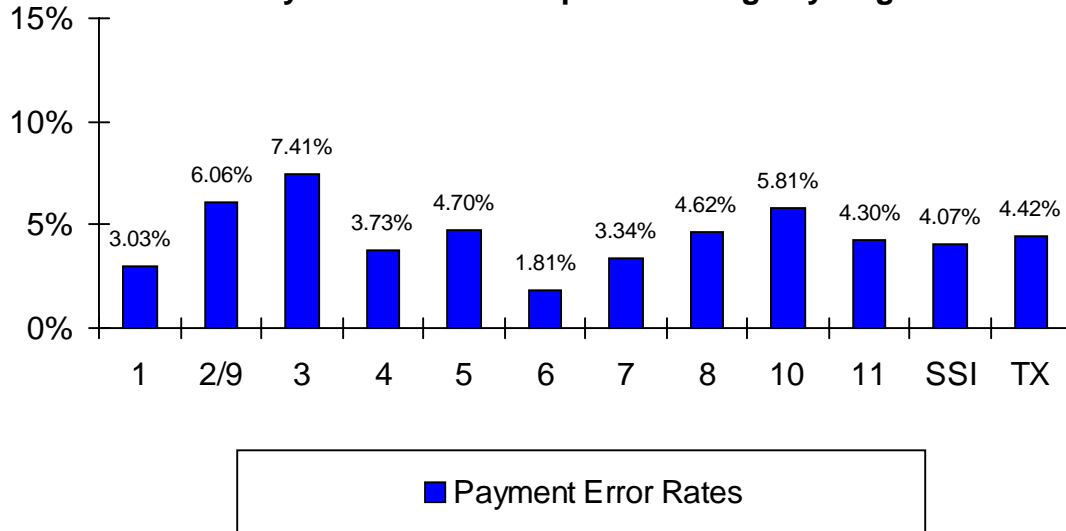
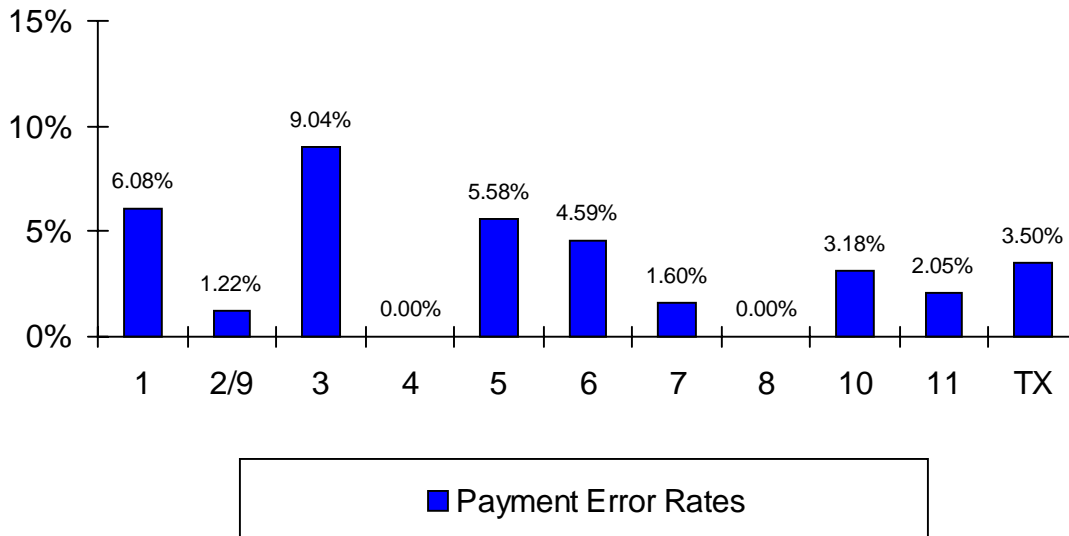


Table 4. FFY 1999 YTD (October 1998 - June 1999)
TANF QC Findings by Region



APPENDICES

APPENDIX I

QUALITY CONTROL SAMPLING

The following information outlines current agency procedures for sampling and reporting error rates in the TANF and Food Stamp programs:

- The Texas Department of Human Services (DHS) samples active TANF and Food Stamp cases. DHS uses a stratified random sample to ensure statistical precision at both regional and statewide levels. The agency's Food Stamp QC sampling plan must be approved by the Food and Nutrition Service (FNS) division of the United States Department of Agriculture (USDA).
- Samples are stratified to provide valid findings and evaluate regional performance at the end of the twelve (12) month reporting period. QC data are not statistically valid until twelve months of data have been collected. Interim data compiled during the reporting period are used to determine changes in error trends and performance at the regional or state level.
- For the Food Stamp program, a federal FNS sub-sample of approximately 30% of the state QC sample is selected for federal re-review by FNS. Re-review findings are used to calculate each state's final, regressed, Food Stamp PER and are also the basis of the national average. There is no federal re-review of the state's TANF findings.

APPENDIX II

FOOD STAMPS

Sanction Tolerance/Liability

The sanction tolerance for Food Stamps is the national average payment error rate for the fiscal year. This tolerance was effective FFY 1992 with the passage of the Omnibus Reconciliation Budget Act (OBRA) 1993. The last published national tolerance, 10.69%, is based on FFY 1998 findings. For any fiscal year in which the state's payment error rate exceeds the payment error rate tolerance, the state will be sanction liable. Sanction liability is based on the percentage by which the state's payment error rate for a fiscal year exceeded the tolerance level.

Enhanced Funding

Federal Regulations provide that states achieving an official payment error rate of 5.90% or less and a lower negative case error rate than the previous year's national average are eligible for Federal Enhanced Funding. Official payment error rates are based on findings from each state's sample of cases and on federal re-review findings from a subsample of those cases. Federal re-review findings are used to adjust a state's findings through a process called regression. If a state qualifies for Federal Enhanced Funding, the amount would be as follows: for each full tenth of a percentage point by which the payment error rate falls below six percent the federally funded share of Food Stamp administrative costs would be increased 1% (up to a maximum of an additional 10%, bringing the federally funded share of administrative costs from its starting value of 50% to a maximum of 60%).

AFDC

Sanction Tolerance

Prior to FFY 1997, the sanction tolerance for AFDC was the national average payment error rate for the fiscal year or 4%, whichever was higher. The last published national tolerance, 6.11%, is based on findings for FFY 1994. The sanction tolerances for FFY 1995 – 1996 have not been released. Due to elimination of the federal QC system, there will be no sanction tolerances calculated in FFY 1997 and future years.

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Sanction Liability

Prior to FFY 1997, if a state's overpayment rate for the fiscal year exceeded the national standard, Federal matching funds to the state were reduced.

Elimination of Federal QC Sanction System

The AFDC QC sanction system was eliminated, effective FFY 1997, with the passage of block grant legislation (federal welfare reform). DHS continues to conduct QC reviews to insure the integrity and credibility of the TANF program as well as to comply with sections 22.025 and 22.026 of the Human Resources Code.